

Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Peter Jensen
Kim Walesh

SUBJECT: Mexican Heritage Plaza Transition
Plan

DATE: May 14, 2008

Approved

Date

5/19/09

COUNCIL DISTRICT: District 5

RECOMMENDATION

Approval of the revised transition plan for the Mexican Heritage Plaza and the timeline for its implementation.

BACKGROUND

On March 18, 2008 Council approved item 3.6, Actions Related To The Mexican Heritage Plaza, Including Mexican Heritage Corporation. Included in this action were 5 recommendations from staff and 12 additional recommendations contained in a memo from Mayor Reed and Councilmember Campos, aimed at achieving the vision for the Mexican Heritage Plaza as a Community Arts and Cultural Center with a new non-profit model. The staff memo included the following desired outcomes:

- Development of a new management future for Mexican Heritage Plaza,
- Stabilize and transition the facility management to the City so it continues to be accessible to the community,
- Provide support to encourage the transition of Mexican Heritage Corporation into a new role as they work to stabilize their financial standing, and
- Provide marketing support to assist the 2008 Mariachi Festival.

In addition, the memo from Mayor Reed and Councilmember Campos cited the following goals for the Plaza:

- Reconnecting with the community by ensuring that the Plaza is grounded within the community and extends beyond the Plaza's walls

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- Establishing a Board that is reflective of all stakeholders
- Remaining transparent and accountable, and
- Developing a business plan that is self-sustaining.

Staff submitted a memo suggesting an implementation plan to achieve these results for the Committee's consideration at its April 28 meeting. The Committee deferred action on the staff's recommendations, asking the staff to consider other approaches that might simplify the process while still ensuring that the goals are reached.

ANALYSIS

At its March 18 meeting, the Council set direction for a new role for the Mexican Heritage Corporation and for a process to produce a sustainable business plan Plaza cultural programming and operations. The Council's action approved the staff recommendations for that process, and also approved a memo from Mayor Reed and Councilmember Campos which added a number of additional recommendations. After reviewing these memos, staff felt that the two memos had differing perspectives about the role of the various groups recommended to be part of the process. The memo for the Committee's April 28 meeting attempted to bridge those two views, and it appears that attempt was unsuccessful, given the Committee's direction to reconsider. This memo is intended to more clearly articulate the difference between the two perspectives, and to offer alternative ways to go forward.

The chart below compares the key elements in the two memos:

Element	Staff Memo	Reed-Campos memo
Membership	Not contemplated immediately	Creates a membership function at three different levels (\$1,000/year, \$100/year, 30 volunteer hours/year)
Interim Membership-Based Advisory Committee	Not contemplated immediately	Composed of members, helps establish Steering Committee, advises staff on programming decisions
Independent Convening Institution	Forms and leads Steering Committee, ensures that Steering Committee has the right types of expertise (non-profit and cultural facility management, Latino arts & culture, business planning, community engagement, etc.), funds business plan effort (through philanthropy) and guides the effort through staff and/or consultants.	Convenes and guides the Steering Committee, is community-based, culturally competent, and has philanthropic experience – the role is generally envisioned more as secondary to that of the Steering Committee.

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Element	Staff Memo	Reed-Campos memo
Steering Committee	Composed primarily of local/regional experienced experts, with opportunities for stakeholder and community input as part of the business plan process. Nominations reviewed by a small task force, appointments approved by the Independent Convening Institution's board. Should include various types of expertise as listed above, and process should allow an opportunity for community stakeholders to stay engaged. Responsible for producing a sustainable business plan.	Nominations reviewed by selecting organizations (membership, Arts Commission, City Council, Mayfair NAC, Gateway East NAC). Should include various types of expertise (similar to staff memo list), community stakeholders are involved through membership. Responsible for producing a sustainable business plan.

The key differences in the two memos are in the immediate creation of a membership function and an interim committee of members, and in the formation process for the Steering Committee (selection by Independent Convening Institution vs. selection by membership, Arts Commission, two NAC's and the City Council). These differences are discussed further below.

Membership Function

The April 28 staff memo to the Committee recommended that the City move initially to a membership pledge process rather than establishing memberships immediately, because of the need to establish membership benefits, the reluctance of the public to contribute money to the City rather than to a 501(c)3 organization, and the need to dedicate staffing to sell, close, and renew memberships. The function of the Interim Membership-Based Advisory Committee was recommended to be unchanged, and participation in that committee would be available to those who pledged a membership. The Committee's comments at the meeting indicated agreement with that approach.

Steering Committee Formation Process

The original staff memo's recommendation of an Independent Convening Institution as responsible for the selection of a Steering Committee for the business planning process was intended to create a process that would be "led, funded, and completed by civic leaders – not by government." Staff believes that such an approach has important advantages including:

- It allows the Independent Convening Institution to target Steering Committee members with specific types of expertise that will be valuable to the committee's work.
- It is likely to attract Steering Committee members who may be reluctant to compete for a position through the selection processes outlined in the Reed-Campos memo.
- It helps balance the MHP business planning process among all of the elements of the Community Arts and Cultural Center vision. The Reed-Campos memo's process may produce a Steering Committee that is more heavily weighted toward community expertise.

This approach, however, is not without challenges. These challenges include:

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- There are no funds identified to pay an Independent Convening Institution, and it is suggested that they be precluded from having any involvement in a recommended operating model for the Plaza. Questions have been raised as to what incentive a potential organization would have to take on this role.
- Allowing the Independent Convening Institution to select the Steering Committee members would diminish the role envisioned in the Reed/Campos memo of the membership, Mayfair and Gateway East NAC's, Arts Commission, and City Council in shaping the committee.
- A committee selected by the Independent Convening Institution may be seen by the community and stakeholders as less representative than a committee selected using the process described in the Reed-Campos memo.

Staff believes two overriding goals should guide the Steering Committee selection process:

- The committee must have enough expertise to complete a thoughtful business plan that considers all of the challenges of operating a successful cultural facility in San José in 2008 and beyond, and
- The committee must be selected in a way that generates wide acceptance from all the stakeholders and the community that has displayed such passion for the Plaza.

Recommended Approach

Staff recommends an approach that tries to blend the advantages of both the original staff recommendations and the Reed-Campos memo recommendations, while minimizing the disadvantages. The recommended approach and time line would be as follows:

Task	Description	Time Frame
Establish membership pledge process	Create on-line and hard copy pledge forms, collect and maintain names and contact information	June 1-30
Gauge interest in Independent Convening Institution role	Contact organizations who may be interested in playing this role and inquire as to their interest. According to the advice of the City's Procurement Manager, this approach can be used as long as questions asked are consistent and reflect the current Council direction that the role involves no compensation and precludes the organization from having any role in the eventual outcome.	May 14-27*
Progress report to CED Committee	Get Committee direction on proceeding with selection of an Independent Convening Institution (if there are responses to the contacts described above) or consider necessary next steps (if there are no responses).	May 27
Second progress report to CED Committee	Recommend actions on the above issues to Committee based on direction received May 27.	June 23
Steering Committee nomination process	Create on-line and hard copy forms to nominate Steering Committee candidates, do outreach to encourage stakeholders to nominate candidates, collect nominations to be presented to the various decision-making bodies.	June 1-July 31

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Task	Description	Time Frame
Steering Committee selection process	Select members of the committee according to the process adopted by Council on March 18: 6 members selected from among Plaza members by the Interim Membership-Based Advisory Committee, 1 member each selected from among all nominees by the Mayfair and Gateway East NAC's, 2 members selected from among all nominees by the Arts Commission, and 3 members selected from among all nominees by the City Council.	July 31-August 31
Steering Committee additions if necessary	Independent Convening Institution (or an alternative, if necessary due to lack of response) reviews membership to ensure that all of the categories listed below are represented. If not, the responsible entity may recommend up to 4 additional members needed to fill any gaps of knowledge or experience, to be approved by the CED Committee.	September 22
Business Planning process	Steering Committee develops the business plan	Sept. 2008-June 2009

* - Staff intends to begin these conversations prior to the May 27 Committee meeting, and report on the results at that meeting.

Steering Committee Composition

The step in the timeline on the previous page involving additions to the Steering Committee refers to categories that should be represented on the Steering Committee. Based on the staff and Council memos, the types of experience, background, and expertise to be represented include:

- Non-profit/community-based organization accounting, finance, and management
- Cultural facilities management
- Latino arts, culture, and heritage
- Arts education/academics
- Philanthropy
- Community engagement and representation
- Business planning

The Council memo also listed MHP Resident Arts Partners (RAP's) as another category of membership. The staff is concerned that under typical City procurement rules, RAP's would be excluded from such a process because they have a financial stake in the outcome. However, the RAP's are certainly an integral part of the MHP programming model, and should have input in the business planning process. Our recommendation is to place RAP's in a non-voting advisory role to the Steering Committee, with full access to Steering Committee meetings and its process.

Under the proposed timeline, the Independent Convening Institution or the staff, depending on the result of the Independent Convening Institution process, would review the 13 Steering Committee members at the end of the selection process. If it appears that the membership does not adequately cover each of the categories listed above, a recommendation would be brought forward to the CED Committee at its September meeting for the addition of up to four members that would allow the

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missing categories to be filled. This would allow the Steering Committee to expand to a maximum number of 17 members.

MHC Transition and Stabilization Support

The MHC Transition Agreement has been executed, providing MHC with \$350,000 in support to provide MHC with \$125,000 in initial working capital, and \$225,000 to assist MHC in resolving its past due account payables. As of the writing of this memo, a draft Technical Services agreement, which provides \$50,000 to enhance budget and financial reporting systems, do business planning, and negotiate the reduction of outstanding accounts payable balances, is under review by MHC, with execution expected prior to the time of the Committee meeting.

Finally, staff has begun to draft an agreement on the Challenge Grant, which is to write down the City's current \$500,000 loan to MHC at the rate of \$2 for every \$1 MHC raises until December 1, and \$1 per \$1 raised thereafter. MHC anticipates being able to raise the \$250,000 required to write down the full amount of the loan before the December 1 deadline.

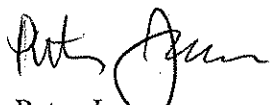
City as Interim Facility Operator

The efforts of General Services to transition responsibility for Maintenance and Utility services, and Facility Leasing and Event Services for the Plaza have continued successfully since the last report to the Committee. Part-time events employees have now moved from MHC employment to City employment, most vendor contracts are fully transferred to City responsibility, and issues of transfer of ownership of various furniture, fixtures, and equipment are nearly resolved.

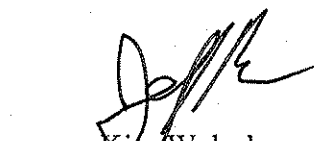
General Services is now supporting Plaza events, using on-site staff supplemented by support from City Hall staff as needed. Event rates, services, and contracts are in the process of being reviewed for incorporation with existing City standards. Information on event rentals and rental rates are now available from the City's Internet home page.

FOLLOW-UP

Staff will report on further implementation progress as outlined in the proposed timeline above in a CED Committee report in June along with an Informational Memo to Council. Further informational reports, as well as recommendations at needed decision points will be provided according to the timeline. Should any elements of this timeline need to be delayed, staff will ask for the Committee's approval as part of upcoming status reports.



Peter Jensen
General Services Director


Kim Walesh
Chief Strategist

For questions please contact Peter Jensen, General Services Director, at 975-7290.